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# \$2.5 Billion

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Understanding how States are  
Spending their Share of the  
National Mortgage Settlement

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# Introduction

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The [National Mortgage Settlement](#) is a historic joint state-federal initiative that settles charges that the five largest loan servicers (Ally/GMAC, Bank of America, Citi, JPMorgan Chase, and Wells Fargo) engaged in a number of servicing abuses and improperly foreclosed on thousands of borrowers around the country. The landmark settlement was first announced on February 9, 2012, and documents officially filed in federal district court and made public on March 13, 2012. The settlement was approved on April 4, 2012.

The \$25 billion settlement includes a mix of direct payments by the servicers and credits for a range of servicing activities. Most of the settlement, approximately \$17 billion, will be in the form of credits for loan modification and foreclosure prevention activities for homeowners still in their homes. However, \$1.5 billion will provide direct payments to borrowers who have been unfairly foreclosed upon, \$3 billion will help current homeowners refinance underwater mortgages, and \$1 billion will enhance the Federal Housing Administration (FHA) capital reserve fund.



In addition to payments listed above, forty-nine states and the District of Columbia (from here on, referred to as a state) will receive direct payments totaling just over \$2.5 billion. In the settlement documents, the general guidelines for use of the funds are:

*To the extent practicable, such funds shall be used for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud, or unfair or deceptive acts or practices and to compensate the States for costs resulting from the alleged unlawful conduct of the Defendants.*

The settlement documents provide a description of what the states intend to do with the funds. Some state descriptions are very specific, while others are vague. Nonetheless, these descriptions provide the first insights into how this \$2.5 billion will be spent. Despite some states diverting funds for non-housing needs, housing advocates are encouraged that, for the most part, the funds will be spent on housing-related activities.

\$2.5 billion is a substantial amount of money and could be a tremendous resource for struggling homeowners and communities that have been devastated by the foreclosure crisis and the abusive actions of the loan servicers. \$2.5 billion is also tempting to state governors and legislators who have been struggling with state budget shortfalls for years.

Therefore, despite the language contained in the settlement, a number of states have diverted the settlement funds away from housing and foreclosure prevention activities.

For most states, the attorney general is the direct recipient of the funds and the sole decision-maker as to how the funds will be used. However, state constitutions differ, and

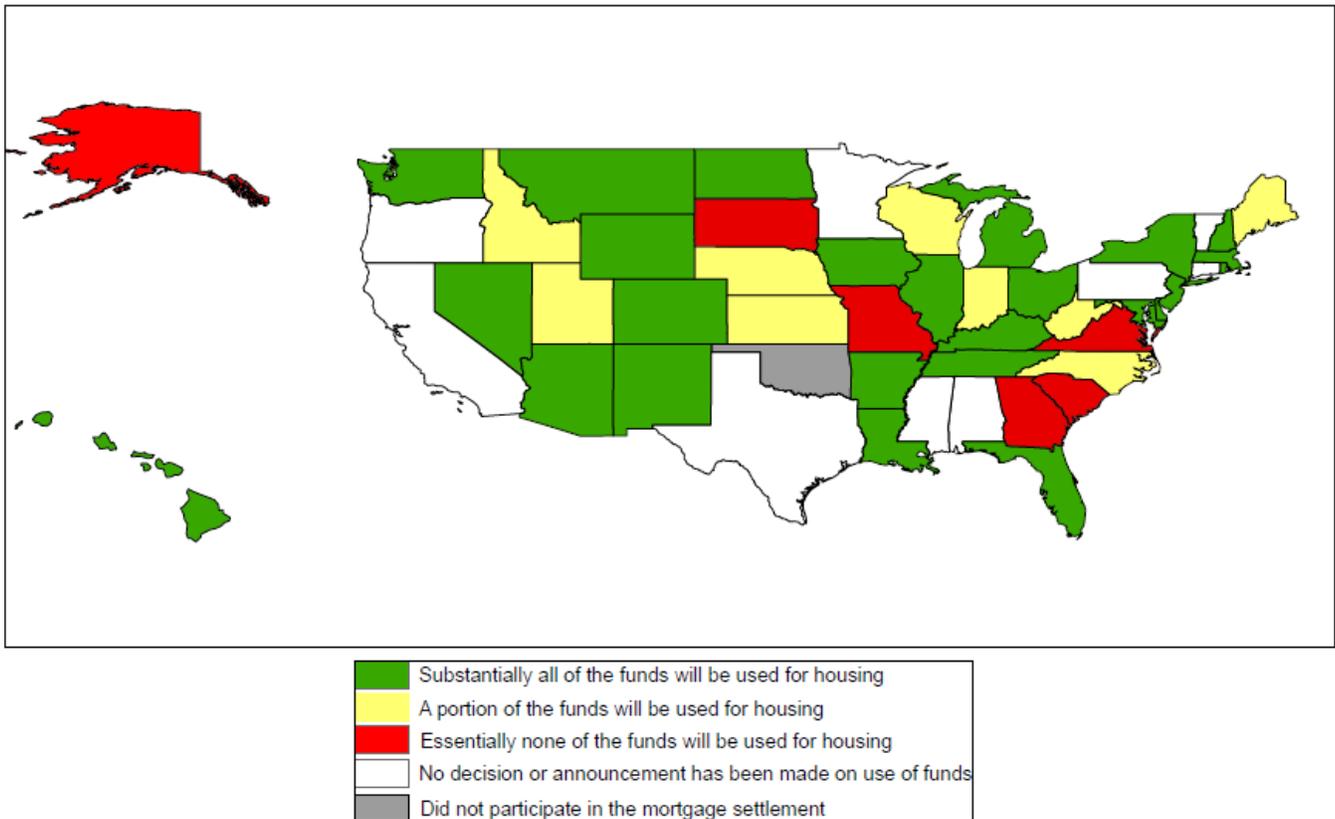
several states noted in the settlement that the final appropriations decision would be made by the legislature. Similarly, a number of attorneys general have made specific recommendations to their legislature as to how they would like the money to be spent, but the final decision will be made by the legislature and/or the governor. Also, the timing of these decisions varies from state to state. Some states have finalized the decision already; others are still in the process. Therefore, housing advocates who would like to see the funds used for housing or foreclosure prevention activities must understand the decision-making process and timing in their particular state in order to be impactful.

# Overview of State Spending

In 50 state capitals around the country, attorneys general, governors, legislators, and public housing advocates are working to determine how the \$2.5 billion will be spent. This is a dynamic process, and it is impossible to know exactly what is happening in all 50 states at any given time. However, based on the best available information at the time of writing, the following national statistics and trends can be observed.

## Percentages of states using their settlement funds for housing- and foreclosure-related activities:

- 26 states are using substantially all of their funds for housing (Noted as “Y” in the “For Housing?” column of the state-by-state analysis table beginning on page 4).
- 9 states are using part of their funds for housing (“partial” in the “For Housing?” column).
- 6 states are not using their funds for housing (“N” in the “For Housing?” column).
- 9 states are completely open as to how their funds will be used (“open” in the “For Housing?” column).



## Status of decisions:

- 9 states have finalized their decision as to how the funds will get spent (“complete” in the “Final Determination?” column).
- 41 states are still in the process of deciding. Common status points include the attorney general submitting a recommendation to the state legislature, the attorney general publicly announcing how the funds will be used (although the legislature or governor may need to approve this plan), or

the process is completely open as the legislature, attorney general, or governor decide how to proceed.

**Types of activities (note that several states are spending money on multiple activities):**

- 16 states will spend the funds on some sort of foreclosure prevention or neighborhood stabilization activity.
- 12 states will spend funds on housing counseling.
- 10 states will spend funds on legal assistance to homeowners.
- 9 states will spend funds on affordable housing programs.
- 5 states will spend funds on law enforcement or more litigation.
- 5 states will spend funds on marketing or outreach to educate citizens about foreclosure-prevention options.
- 4 states will spend funds on foreclosure mediation programs.
- 2 states will spend funds on loan modification programs.
- 2 states will spend funds on foreclosure prevention hotlines.
- 2 states will spend funds on foreclosure scam rescue programs.
- 11 states are putting all or some of the funds into their general fund.

## State Use of \$2.5 billion from National Mortgage Settlement

State	Allocation	Final Determination?	For Housing?	Use of Funds
AL	\$25,305,692	open	open	10% civil penalties; remainder for AG to decide - may use for law enforcement efforts to prevent and prosecute financial fraud, and/or for housing programs; may also distribute funds to other government entities or charitable organizations at sole discretion
AK	\$3,286,839	open	N - open	\$1m to the Division of Banking and Securities; unclear what remainder will be used for
AR	\$12,830,241	complete	Y	\$9m to Development Finance Authority for programs that provide down payment assistance, foreclosure counseling and financial literacy programs; \$2m to AR Access to Justice Commission for legal aid; University of AR School of Law in Fayetteville and the University of AR at Little Rock Bowen School of Law will each receive \$500K for legal aid clinics; \$1.4m to the state treasury for costs and fees associated with the settlement agreement
AZ	\$97,784,204	open	Y	to be used for state foreclosure prevention programs, attorney general's office costs and fees, and to remediate the effects of the foreclosure and housing crisis in Arizona
CA	\$410,576,996	open	open	10% civil penalties; AG announced she would use some of the money to bolster her investigations into the mortgage meltdown by expanding the 42-member Mortgage Fraud Strike Force; series of stakeholder meetings being held around the state
CO	\$50,170,188	complete	Y	\$24m for supplemental loan-modification programs, \$18m for affordable housing programs (up to \$13m to incentivize 4% LIHTC bond transactions), \$5.6m for housing counseling, \$1.5m for legal services, \$750K for temporary staffing at the AG, \$600K for the Colorado Foreclosure Hotline, \$500K for marketing and outreach
CT	\$26,102,142	recommendation to legislature	open	AG recommended to lawmakers that funds should be spent on foreclosure, including HUD-approved housing counselors, the judicial branch's foreclosure mediation program, non-profit legal aid groups, and loan modification programs supported by the Housing Finance Agency
DC	\$4,433,081	AG announcement	Y	mortgage- and foreclosure-related counseling, legal assistance or advocacy, mediation and outreach assistance to help current and former homeowners secure the benefits they are eligible to receive under the settlement
DE	\$7,913,923	AG announcement	Y - open	to fund homeowner assistance programs, educational outreach, support DE's new mortgage mediation program, and fund ongoing and new civil and criminal investigations and cases related to the foreclosure crisis; General Assembly will decide
FL	\$334,073,974	open	Y - open	10% civil penalties; remainder to help fund housing-related and foreclosure prevention programs within the state and provide for civil penalties; Congressional representatives wrote letter urging funds to be used only for foreclosure assistance
GA	\$99,365,105	complete	N	all \$99m to economic development; divided evenly between 2 existing programs - one distributes grants to all regions in GA, other targets rural communities

State	Allocation	Final Determination?	For Housing?	Use of Funds
HI	\$7,911,883	open	Y- open	monies will be administered by the Department of the Attorney General, held in trust to provide benefits to Hawaii homeowners
IA	\$14,651,922	AG announcement	Y	the funds will be used primarily to support the Iowa Mortgage Help Hotline and Legal Aid, which provide services to affected homeowners
ID	\$13,305,209	complete	partial	sent to general fund; \$500K to Consumer Protection Fund, of which \$50K to help consumers understand new foreclosure laws, \$120K to State Bar Volunteer Legal Program, \$120K to ID Legal Aid Services, \$110K to local housing counselors, \$100K to Community Action Partnership to assist families transition to rental
IL	\$105,806,405	open	Y - open	AG has opposed attempts to use funds for anything but foreclosure mitigation - open question of how money will be used; likely some for housing counseling, some for legal aid, and rest may wait to be spent
IN	\$43,803,419	complete	partial	\$28.8m to LIHEAP, \$15m to the AG Consumer Protection Division and its Homeowner Protection Unit (HPU) and other efforts to prevent foreclosure
KS	\$13,778,401	open	partial	at least 25% for foreclosure prevention activities (supporting AG investigation, resolving consumer complaints, defraying settlement costs); remainder deposited into the general fund to be appropriated by legislature
KY	\$19,198,220	AG announcement	Y	for consumer protection programs, to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, and further investigation of abuses, including an investigation of the Mortgage Electronic Registration System (MERS)
LA	\$21,741,560	open	Y	to be used for programs benefitting borrowers, homeowners, and other consumers
MA	\$44,450,668	complete	Y	\$6.9m for penalties and fees; remainder used to create HomeCorps program, which include loan modification, borrower representation, and borrower recovery initiatives
MD	\$59,697,470	AG announcement	Y	10% civil penalties; remainder likely to be divided between Baltimore City, Prince George's County, and rest of state for housing activities; committee of local elected officials to determine use of funds
ME	\$6,907,023	complete	partial	\$500,000 for Pine Tree Legal, \$2m for the Maine Bureau of Consumer Credit Protection, and \$5.7m for the general fund
MI	\$97,209,465	recommendation to legislature	Y	\$20m for foreclosure counseling, \$10m for foreclosure rescue scam victims, \$6m for AG Home Protection Unit, \$31m for payments to foreclosed borrowers, \$20m assistance for school children displaced by foreclosure, \$10m assistance for service members
MN	\$41,536,169	open	open	State legislature to decide; AG recommends funds be used for foreclosure related programs
MO	\$39,583,212	passed House	N	\$40m to soften planned cuts to higher education; announced by governor, backed by House leader; \$1 million may be used to administer rest of settlement

State	Allocation	Final Determination?	For Housing?	Use of Funds
MS	\$13,580,374	open	open	AG wants funds for further consumer protection litigation; governor and legislature will ultimately decide how funds are used
MT	\$4,858,276	open	Y	\$450K for civil fines; remainder to avoid preventable foreclosures, to ameliorate the effects of the crisis, and to enhance law enforcement efforts to prevent and prosecute financial fraud; AG decides
NC	\$60,852,159	AG announcement	partial	\$10m restitution to general fund, \$6.3m civil penalties to public schools, \$20m for housing counselors through HFA, \$12m for legal assistance, \$10m for prosecution of lending and financial crimes, \$5m for Consumer Protection Division
ND	\$1,947,666	AG announcement	Y	develop a program with private industry to increase housing in oil country, particularly for newly hired law officers and emergency responders
NE	\$8,422,528	complete	partial	\$1m for the state Affordable Housing Trust Fund; remainder into cash reserves
NH	\$9,575,447	AG announcement	Y - open	to fund foreclosure prevention and homeowner assistance programs and to expand its consumer protection activities
NJ	\$72,110,727	AG announcement	Y - open	AG announced money to be used for various state affordable housing programs; concern about which programs and whether governor will try to divert funds to new purpose
NM	\$11,174,579	AG announcement	Y	\$4.5m in payments to borrowers for mortgage servicing abuse; \$11.7m in payments for state foreclosure prevention efforts, homeowner hotline, outreach and housing counseling
NV	\$57,368,430	open	Y - open	consumer protection and state foreclosure protection efforts
NY	\$107,642,490	partial	Y - open	\$9m to support NY Foreclosure Prevention Services Program, which was set to expire on April 1; up to \$6m to support housing and community renewal activities statewide through not-for-profit community-based housing organizations; remainder unclear
OH	\$92,783,033	AG announcement	Y	\$75m for new grant program for abandoned/vacant property demolition; \$20m for new grant program to non-profits and local governments to fund innovative programs to help struggling homeowners; \$2m to AG Economic Crimes Division to prosecute foreclosure relief scammers
OR	\$29,253,190	open	open	decision on expenditure of funds assigned to the May meeting agenda of the Oregon State Emergency Board; advocates pushing for funds to be used for housing and foreclosure prevention
PA	\$66,527,978	open	open	AG and governor will decide; Consensus among advocates and legislators is to use a portion of the funds for the Homeowners Emergency Mortgage Assistance Loan Program (HEMAP)
RI	\$8,500,755	AG announcement	Y - open	to fund consumer protection and state foreclosure protection efforts
SC	\$31,344,349	House voted	N - open	House Republicans voted to give all to State Commerce Department to create incentives for companies to relocate to SC; Democrats want money used for foreclosure assistance programs; AG wants money used for shelters for battered women and homeless veterans

State	Allocation	Final Determination?	For Housing?	Use of Funds
SD	\$2,886,824	AG announcement	N - open	to enact regulations
TN	\$41,207,810	AG announcement	Y	10% civil penalties, remainder to the Tennessee Housing Development Agency to cover free counseling for all homeowners needing help
TX	\$134,628,489	open	open	deposited into the treasury for future appropriation by the legislature
UT	\$21,951,641	complete	partial	\$1.75m into programs for the homeless; \$2m to the AG's office to hire more mortgage and financial fraud investigators and prosecutors; remainder voted into the state general fund
VA	\$66,525,233	legislative proposal	N - open	\$1m to the State Corporation Commission's Bureau of Financial Institutions; legislature proposing to use remainder of funds to offset reductions in state aid given to localities and a one-time 3% pay raise for state employees
VT	\$2,552,240	open	open	Proposal for half of funds to go toward counseling, legal assistance, and manufactured home financing program; other half to go into general fund
WA	\$54,242,749	open	Y - open	10% civil penalties; \$45m for foreclosure relief programs, including housing counselors, free legal assistance and mediation; AG appointing committee to determine how best to use funds: will include 4 legislators, executive director of HFA, and 7 citizens
WI	\$30,191,806	partial	partial - open	\$26m into general fund to plug budget hole; decision made by AG and Governor; \$3 million to investigate mortgage fraud
WV	\$5,748,915	open	partial	some funds used for "Project: Save Our Homes" workshops around the state to help homeowners access assistance
WY	\$2,614,515	AG announcement	Y	exclusively for mortgage and foreclosure matters, including mortgage and housing-related consumer assistance, consumer education, credit counseling, mediation programs, legal assistance, training, or staffing
<b>Total</b>	<b>\$2,539,915,614</b>			

\* Early reports estimated the state portion of the settlement to be higher, and some AGs released press releases based on these higher estimates. Therefore, some of the amounts described in the "Use of Funds Column" exceed the amount listed in the "Allocation" column.

\*\* In the "For Housing?" column, the word "open" after a "Y" or "N" indicates that an announcement has been made, or some of the funds have been pledged, but the final decisions have not yet been made.

The chart above is based on the best available information at the time of publication and is intended to provide local and national actors with a holistic snapshot of how the funds are being spent. Information was gathered through a combination of news sources, attorneys general websites, conversations with local housing advocates, and the original settlement language. However, decisions are being made every day, and some of the information above may be out of date. Therefore, we would welcome new information from those of you at the local level and will update this as frequently as possible. Please send updates to [aroberts@enterprisecommunity.org](mailto:aroberts@enterprisecommunity.org).